



Source: Stella-Jones Inc.

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STELLA-JONES REPORTS 2022 YEAR-END RESULTS ANCHORED IN STRONG BUSINESS FUNDAMENTALS

- Sales of \$3,065 million, up 11%, driven by infrastructure-related product category sales
- EBITDA⁽¹⁾ up 12% to \$448 million, from \$400 million in 2021
- Net income reached \$241 million, or \$3.93 per share
- Acquired wood utility pole manufacturing business of Texas Electric Cooperatives, Inc.
- Quarterly cash dividend increased 15% to \$0.23 per share

Montreal, Quebec – March 8, 2023 - Stella-Jones Inc. (TSX: SJ) (“Stella-Jones” or the “Company”) today announced financial results for its fourth quarter and year ended December 31, 2022.

“Stella-Jones concluded 2022 on a very strong note, and I am proud of the robust performance we delivered as a Company,” said Eric Vachon, President and CEO of Stella-Jones. “Our fourth quarter sales continued their upward trajectory, reflecting more than a 25% organic increase in utility poles sales, sustained growth in railway ties sales and better than anticipated residential lumber sales. Our exceptional results in 2022 can be credited to several contributors, from the efforts of our dedicated team to our expansive North American network. In a year of challenging market and macroeconomic conditions, our proven ability to procure the fibre required to meet customer demand and pass through cost increases were true keystones of our success, and a testament to the resilient character of our business model.”

“Our strong performance was further bolstered by the contributions of our most recent accretive acquisitions. The timely addition of Cahaba has allowed us to seize growth opportunities, while Texas Electric Cooperatives' pole treating facility represents a strategic addition to our network, and I am very pleased with its contribution thus far,” added Mr. Vachon. “2022 marks a 22nd consecutive year of increased sales for Stella-Jones and the completion of the first year of our three-year plan, marked by exceptional utility poles sales growth, which we expect will continue in 2023. From where we stand, we are well on our way to meet or exceed our objectives, and remain favourably positioned for the future, with continued growth in sales, profitability and in turn, shareholder value,” he concluded.

Financial Highlights	Q4-22	Q4-21	2022	2021
(in millions of Canadian dollars, except per share data and margins)				
Sales	665	545	3,065	2,750
Gross profit ⁽¹⁾	112	65	524	456
Gross profit margin ⁽¹⁾	16.8%	11.9%	17.1%	16.6%
EBITDA ⁽¹⁾	87	52	448	400
EBITDA margin ⁽¹⁾	13.1%	9.5%	14.6%	14.5%
Operating income	61	32	359	326
Operating income margin ⁽¹⁾	9.2%	5.9%	11.7%	11.9%
Net income for the period	36	22	241	227
Earnings per share - basic and diluted	0.61	0.34	3.93	3.49
Weighted average shares outstanding (basic, in ‘000s)	59,449	64,292	61,421	65,002

⁽¹⁾ Refer to the section "Non-GAAP and other financial measures" in this press release.

FOURTH QUARTER RESULTS

Sales for the fourth quarter of 2022 increased by 22% to \$665 million, compared to sales of \$545 million for the same period in 2021. Excluding the \$34 million favourable impact of currency conversion and the contribution from the acquisitions of Cahaba Pressure Treated Forest Products, Inc. and Cahaba Timber, Inc. (together "Cahaba") and Texas Electric Cooperatives, Inc. ("TEC") of \$19 million, pressure-treated wood sales rose \$60 million, or 12%. The growth was driven by the sales of the Company's infrastructure-related businesses, namely utility poles, railway ties and industrial products, which grew by 17% compared to the same period last year. Higher pricing across all product categories, particularly utility poles and railway ties, and increased demand for utility poles were partially offset by lower railway ties and residential lumber volumes.

Pressure-treated wood products:

- **Utility poles (49% of Q4-22 sales):** Utility poles sales amounted to \$326 million, up from \$227 million for the same period last year. Excluding the currency conversion effect and the contribution from the acquisitions, sales increased 27%, mainly driven by higher pricing and, to a lesser extent, increased volumes.
- **Railway ties (24% of Q4-22 sales):** Sales of railway ties amounted to \$161 million, versus \$147 million in the corresponding period last year. Excluding the currency conversion effect, sales of railway ties increased by 2%, attributable to improved pricing for both Class 1 and non-Class 1 business, largely offset by lower volumes, particularly from Class 1 customers.
- **Residential lumber (15% of Q4-22 sales):** Residential lumber sales totaled \$100 million, down from \$107 million in the fourth quarter of 2021. Excluding the currency conversion effect, sales decreased 8%, attributable to lower sales volumes as pricing was relatively unchanged compared to the fourth quarter of 2021.
- **Industrial products (5% of Q4-22 sales):** Industrial product sales amounted to \$32 million, up compared to the \$25 million of sales generated a year ago, primarily due to higher project-related bridge and crossing sales.

Logs and lumber:

- **Logs and lumber (7% of Q4-22 sales):** Logs and lumber sales totaled \$46 million, up 13% compared to the same period last year, mainly attributable to higher log sales.

Gross profit⁽¹⁾ was \$112 million in the fourth quarter of 2022, versus \$65 million, in the fourth quarter of 2021, representing a margin⁽¹⁾ of 16.8% and 11.9% respectively. The increase was primarily attributable to pricing gains outpacing cost increases in the fourth quarter of 2022 for certain infrastructure-related product categories, as well as the improvement in the gross profit of residential lumber compared to the marginal gross profit generated in the fourth quarter of last year. The gross profit of residential lumber in the fourth quarter of 2021 was impacted by the drop in demand in the second half of the year and the resulting higher cost of inventory on hand. Acquisitions and the effect of the positive currency conversion further contributed to the higher gross profit in the fourth quarter of 2022, compared to the same period last year.

Operating income totaled \$61 million in the fourth quarter of 2022 versus operating income of \$32 million in the corresponding period of 2021 while EBITDA⁽¹⁾ increased to \$87 million, compared to \$52 million reported in the fourth quarter of 2021.

Net income for the fourth quarter of 2022 was \$36 million, or \$0.61 per share, compared to net income of \$22 million, or \$0.34 per share, in the corresponding period of 2021.

⁽¹⁾ Refer to the section "Non-GAAP and other financial measures" in this press release.

2022 RESULTS

Sales in 2022 were up 11% to \$3,065 million, compared to \$2,750 million in 2021. Excluding the impact of the Cahaba and TEC acquisitions of \$66 million and the currency conversion of \$73 million, pressure-treated wood sales rose \$206 million or 8%. Infrastructure-related sales grew by 14%, while residential lumber sales were lower compared to the record high sales in 2021. Pricing gains across all infrastructure-related product categories and increased maintenance and project-related demand for utility poles were partially offset by lower sales volumes for railway ties and residential lumber. The decrease in logs and lumber sales was largely driven by lower lumber sales activity compared to the prior year.

Pressure-treated wood products:

- **Utility poles (40% of 2022 sales):** Utility poles sales increased to \$1,227 million in 2022, compared to sales of \$925 million in 2021. Excluding the contribution from the acquisitions of Cahaba and TEC in 2022, and the currency conversion effect, utility poles sales increased by \$197 million, or 21%, driven by upward sales price adjustments in response to higher costs and increased maintenance and project-related demand, particularly for Southern Yellow Pine poles in the U.S. south east.
- **Railway ties (24% of 2022 sales):** Railway ties sales were \$750 million in 2022, compared to sales of \$700 million in 2021. Excluding the currency conversion effect, railway ties sales increased \$27 million, or 4%, due to favourable sales price adjustments, largely to cover higher fibre and preservative costs, offset in part by reduced maintenance demand of certain Class 1 customers.
- **Residential lumber (24% of 2022 sales):** Sales in the residential lumber category decreased to \$744 million in 2022, compared to sales of \$773 million in 2021. Excluding the currency conversion effect, residential lumber sales decreased \$36 million, or 5%, driven by the slower start to the 2022 season and lower pricing compared to the market-driven record prices in the first half of 2021. While sales in 2022 were lower compared to 2021, they were up over 55% compared to sales of \$471 million generated in the pre-pandemic period of 2019.
- **Industrial products (5% of 2022 sales):** Industrial product sales increased to \$143 million in 2022 compared to sales of \$121 million in 2021. Excluding the currency conversion effect, industrial product sales rose by \$18 million, or 15%, largely stemming from increased sales for pilings, timbers and bridges.

Logs and lumber:

- **Logs and lumber (7% of 2022 sales):** Sales in the logs and lumber product category were \$201 million in 2022, down from \$231 million in 2021. The decrease in sales was largely due to lower lumber trading activity compared to last year.

Gross profit⁽¹⁾ was \$524 million in 2022 compared to \$456 million in 2021, representing a margin⁽¹⁾ of 17.1% and 16.6%, respectively. The increase in gross profit, in absolute dollars and as a percentage of sales, was largely attributable to favourable price adjustments realized for infrastructure-related product categories, which outpaced higher costs. The increase in absolute dollars was partially offset by lower demand for railway ties, residential lumber and logs and lumber. The full year contribution of the Cahaba acquisition and the positive impact of the currency conversion also benefited gross profit for the year ended December 31, 2022.

Operating income totaled \$359 million in 2022 versus operating income of \$326 million in 2021 while EBITDA⁽¹⁾ increased 12% to \$448 million in 2022, compared to \$400 million in 2021. Despite the higher EBITDA, the EBITDA margin⁽¹⁾ in 2022 remained relatively unchanged at 14.6% versus 14.5% in 2021 as it was impacted by other losses recognized in the year. Excluding other losses of eight million dollars, primarily related to the retirement of idled equipment, the Company's EBITDA margin was closer to its target of 15% in 2022.

⁽¹⁾ Refer to the section "Non-GAAP and other financial measures" in this press release.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2022, Stella-Jones generated cash from operations of \$255 million. It used its operating cashflows and available credit to invest in capital expenditures, acquire two businesses, Dinsmore Trucking group and TEC, and return \$230 million of capital to shareholders through share buybacks and the payment of dividends. In 2022, the dividend paid amounted to \$0.80 per share, representing an 11% increase compared to 2021. As at December 31, 2022, the net debt-to-EBITDA ratio⁽¹⁾ was 2.5x and the Company had available liquidity of \$259 million (US\$191 million).

Subsequent to year-end, the Company amended and restated the U.S. Farm Credit Agreement to increase the amount available under the credit facilities to US\$550 million and to extend the term of U.S. Farm Revolving Credit Facility to March 3, 2028.

NORMAL COURSE ISSUER BID

On November 8, 2022, the TSX accepted Stella-Jones' Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to 5,000,000 common shares during the 12-month period commencing November 14, 2022 and ending November 13, 2023, representing approximately 9.6% of the public float of its common shares.

In the three-month period ended December 31, 2022, the Company repurchased 828,257 common shares for cancellation in consideration of \$36 million, under its NCIB then in effect. In 2022, the Company repurchased 4,696,312 common shares for cancellation in consideration of \$181 million, under its NCIBs then in effect.

QUARTERLY DIVIDEND INCREASED 15% TO \$0.23 PER SHARE

On March 7, 2023, the Board of Directors declared a quarterly dividend of \$0.23 per common share payable on April 21, 2023 to shareholders of record at the close of business on April 3, 2023. This dividend is designated to be an eligible dividend.

⁽¹⁾ Refer to the section "Non-GAAP and other financial measures" in this press release.

2022-2024 FINANCIAL OBJECTIVES: PROGRESS IN 2022

In 2022, the Company made important strides in the achievement of the Company's 2022-2024 financial objectives, as summarized in the table below. Its strong 2022 performance places the Company on a solid footing for 2023 and positions it favourably to meet or exceed the financial objectives set for 2022 to 2024. The Company will provide more insights on the above at its upcoming Investor Day on May 25, 2023 in Toronto, Ontario.

(in millions of dollars, except percentages)	2022-2024 Financial Objectives <i>published March 9, 2022</i> ⁽²⁾	2022	Result
Sales	\$2,700-\$3,000	\$3,065	✓
Infrastructure-Related Businesses	75-80% of sales	69%	↗
Residential Lumber	20-25% of sales	24%	✓
EBITDA margin ⁽¹⁾	≥ 15%	14.6%	↗
Utility Poles Growth Capex	\$90-\$100	\$33	↗
Return to Shareholders	\$500-\$600	\$230	↗
Net Debt-to-EBITDA ⁽¹⁾	2.0x-2.5x	2.5x	✓

✓ **Target range met**

↗ **Progressing toward target range**

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on March 8, 2023, at 10:00 a.m. Eastern Time. Interested parties can join the call by dialing 1-416-764-8646 (Toronto or overseas) or 1-888-396-8049 (elsewhere in North America). A live audio webcast of the conference call will be available on the company's website, on the Investor relations section's home page or here: <https://www.gowebcasting.com/12423>. The replay of the webcast will remain available at the same link until 11:59 p.m., March 15, 2023. Parties unable to call in at this time may access a recording by calling 1-877-674-7070 and entering the passcode 447456. This recording will be available on Wednesday, March 8, 2023 as of 1:00 p.m. until 11:59 p.m. on Wednesday, March 15, 2023.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is North America's leading producer of pressure-treated wood products. It supplies the continent's major electrical utilities and telecommunication companies with wood utility poles and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products, which include wood for railway bridges and crossings, marine and foundation pilings, construction timbers and coal tar-based products. Additionally, the Company manufactures and distributes premium treated residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing the Canadian market through its national manufacturing and distribution network. The Company's common shares are listed on the Toronto Stock Exchange.

⁽¹⁾ Refer to the section "Non-GAAP and other financial measures" in this press release.

⁽²⁾ Refer to the 2021 Annual MD&A for further details and assumptions used in preparing the 2022-2024 financial objectives.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such items include, among others: general political, economic and business conditions, evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, climate change, failure to recruit and retain qualified workforce, information security breaches or other cyber-security threats, changes in foreign currency rates, the ability of the Company to raise capital and factors and assumptions referenced herein and in the Company's continuous disclosure filings. As a result, readers are advised that actual results may differ from expected results. Unless required to do so under applicable securities legislation, the Company does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes after the date hereof.

Note to readers: The audited consolidated financial statements for the year ended December 31, 2022 as well as management's discussion and analysis are available on Stella-Jones' website at www.stella-jones.com.

Head Office 3100 de la Côte-Vertu Blvd., Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	Exchange Listings The Toronto Stock Exchange Stock Symbol: SJ Transfer Agent and Registrar Computershare Investor Services Inc.	Investor Relations Silvana Travaglini Senior Vice-President and Chief Financial Officer Tel.: (514) 934-8660 Fax: (514) 934-5327 stravaglini@stella-jones.com
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Stella-Jones Inc.

Consolidated Statements of Income

(expressed in millions of Canadian dollars, except earnings per common share)

	For the three-month periods ended December 31,		For the years ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Sales	665	545	3,065	2,750
Expenses				
Cost of sales (including depreciation and amortization (3 months - \$21 (2021 - \$17) and 12 months - \$74 (2021 - \$63))	553	480	2,541	2,294
Selling and administrative (including depreciation and amortization (3 months - \$5 (2021 - \$3) and 12 months - \$15 (2021 - \$11))	44	32	157	127
Other losses, net	7	1	8	3
	604	513	2,706	2,424
Operating income	61	32	359	326
Financial expenses	11	6	33	23
Income before income taxes	50	26	326	303
Income tax expense				
Current	15	(4)	79	64
Deferred	(1)	8	6	12
	14	4	85	76
Net income	36	22	241	227
Basic and diluted earnings per common share	0.61	0.34	3.93	3.49

Stella-Jones Inc.

Consolidated Statements of Financial Position

(expressed in millions of Canadian dollars)

	2022	2021
	\$	\$
Assets		
Current assets		
Accounts receivable	287	230
Inventories	1,238	1,106
Income taxes receivable	—	9
Other current assets	58	43
	<u>1,583</u>	<u>1,388</u>
Non-current assets		
Property, plant and equipment	755	629
Right-of-use assets	160	138
Intangible assets	171	158
Goodwill	369	341
Derivative financial instruments	29	3
Other non-current assets	6	8
	<u>3,073</u>	<u>2,665</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	201	162
Income taxes payable	7	1
Current portion of long-term debt	1	33
Current portion of lease liabilities	41	35
Current portion of provisions and other long-term liabilities	9	11
	<u>259</u>	<u>242</u>
Non-current liabilities		
Long-term debt	940	701
Lease liabilities	126	109
Deferred income taxes	158	137
Provisions and other long-term liabilities	26	15
Employee future benefits	7	13
	<u>1,516</u>	<u>1,217</u>
Shareholders' equity		
Capital stock	194	208
Retained earnings	1,192	1,161
Accumulated other comprehensive income	171	79
	<u>1,557</u>	<u>1,448</u>
	<u>3,073</u>	<u>2,665</u>

Stella-Jones Inc.

Consolidated Statements of Cash Flows

(expressed in millions of Canadian dollars)

	2022	2021
	\$	\$
Cash flows from (used in)		
Operating activities		
Net income	241	227
Adjustments for		
Depreciation of property, plant and equipment	31	25
Depreciation of right-of-use assets	42	38
Amortization of intangible assets	16	11
Financial expenses	33	23
Income tax expense	85	76
Other	9	(12)
	<u>457</u>	<u>388</u>
Changes in non-cash working capital components		
Accounts receivable	(43)	(19)
Inventories	(75)	(21)
Other current assets	(9)	(7)
Accounts payable and accrued liabilities	22	24
	<u>(105)</u>	<u>(23)</u>
Interest paid	(32)	(23)
Income taxes paid	(65)	(91)
	<u>255</u>	<u>251</u>
Financing activities		
Proceeds from short-term debt	—	125
Repayment of short-term debt	—	(123)
Net change in revolving credit facilities	139	(13)
Proceeds from long-term debt	63	247
Repayment of long-term debt	(33)	(105)
Repayment of lease liabilities	(41)	(35)
Dividends on common shares	(49)	(47)
Repurchase of common shares	(180)	(108)
Other	—	1
	<u>(101)</u>	<u>(58)</u>
Investing activities		
Business combinations	(46)	(129)
Purchase of property, plant and equipment	(97)	(48)
Additions of intangible assets	(11)	(16)
	<u>(154)</u>	<u>(193)</u>
Net change in cash and cash equivalents during the year	<u>—</u>	<u>—</u>
Cash and cash equivalents – Beginning of year	<u>—</u>	<u>—</u>
Cash and cash equivalents – End of year	<u>—</u>	<u>—</u>

NON-GAAP AND OTHER FINANCIAL MEASURES

This section includes information required by National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure in respect of “specified financial measures” (as defined therein).

The below-described non-GAAP measures have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. The Company’s method of calculating these measures may differ from the methods used by others, and, accordingly, the definition of these non-GAAP financial measures may not be comparable to similar measures presented by other issuers. In addition, non-GAAP financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP.

Non-GAAP financial measures include:

- **Gross profit:** Sales less cost of sales
- **EBITDA:** Operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization)
- **Net debt:** Sum of long-term debt and lease liabilities (including the current portion)

Non-GAAP ratios include:

- **Gross profit margin:** Gross profit divided by sales for the corresponding period
- **EBITDA margin:** EBITDA divided by sales for the corresponding period
- **Net debt-to-EBITDA:** Net debt divided by trailing 12-month (TTM) EBITDA

Other specified financial measures include:

- **Operating income margin:** Operating income divided by sales for the corresponding period

Management considers these non-GAAP and other financial measures to be useful information to assist knowledgeable investors to understand the Company’s operating results, financial position and cash flows as they provide a supplemental measure of its performance. Management uses non-GAAP and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, to assess the Company’s ability to meet future debt service, capital expenditure and working capital requirements, and to evaluate senior management’s performance. More specifically:

- **Gross profit and gross profit margin:** The Company uses these financial measures to evaluate its ongoing operational performance.
- **EBITDA and EBITDA margin:** The Company believes these measures provide investors with useful information because they are common industry measures, used by investors and analysts to measure a company’s ability to service debt and to meet other payment obligations, or as a common valuation measurement. These measures are also key metrics of the Company’s operational and financial performance.
- **Net debt and net debt-to EBITDA:** The Company believes these measures are indicators of the financial leverage of the Company.

The following tables present the reconciliations of non-GAAP financial measures to their most comparable GAAP measures.

Reconciliation of operating income to EBITDA (in millions of dollars)	Three-month periods ended December 31,		Years ended December 31,	
	2022	2021	2022	2021
Operating income	61	32	359	326
Depreciation and amortization	26	20	89	74
EBITDA	87	52	448	400

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	Years ended December 31,	
	2022	2021
Long-term debt, including current portion	941	734
Add:		
Lease liabilities, including current portion	167	144
Net Debt	1,108	878
EBITDA (TTM)	448	400
Net Debt-to-EBITDA	2.5x	2.2x